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IN THE

Supreme Court of the United States

October Term, 1946.

No. 504

JAMES MARR, doing business as MARR DUPLICATOR COMPANY,

Petitioner,

vs.

A. B. DICK COMPANY,

Respondent.

Petition for a Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit.

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Petitioner,

vs.

A. B. DICK COMPANY,
Respondent.

No. .....

Petition for a Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

The petitioner prays that a writ of certiorari issue to review the judgment of the United States Circuit Court of Appeals for the Second Circuit, entered in this cause.

I.

Summary Statement of Matter Involved.

This is a patent infringement suit concerning a mimeograph stencil.

Following an interlocutory decree in which a certain type of stencil (A F) was held by the then District Judge Patterson, an infringement of U. S. Letters Patent 1,526,982, and these A F stencils were accounted for, dif-

ferent types of stencils (MO_{37} and MO) which were not before the trial court, were for the first time urged as infringements against the objections of the petitioner. The petitioner contended that he was entitled to his day in court, *i. e.*, to a trial on the merits, in which prior art could be adduced. Nevertheless, the Special Master held as infringements these MO_{37} and MO and other stencils about which latter no evidence of contents appeared.

On the form of the accounting, it was urged by petitioner that the continuous business rule under the *Macbeth* case (*Macbeth Evans Glass Co.* v. *L. E. Smith Glass Co.*, 21 F. [2] 553, affirmed 23 F. [2] 459 [C. C. A. 3]) should control, rather than the segregation rule referred to in the *Duplate* v. *Triplex* case, 298 U. S. 448, 458, followed by the Special Master.

The District Court affirmed the Master's Report and judgment was entered.

Findings of facts under Rule 52a were filed with the judgment. A motion for additional findings of facts under Rule 52b was denied.

There are no findings of Judge Patterson or of the Special Master.

The Court of Appeals affirmed the District Court.

The Court of Appeals in the instant case, (opinion by Judge Augustus N. Hand), gave the patent a broad construction, notwithstanding that the earlier *Kensington* case of that court had held: "the prior art precludes any broad interpretation of the patent" (*A. B. Dick* v. *Kensington Co.*, 72 F. (2d) 268, C. C. A. 2, 1934, opinion by Judge Manton).

The claims have as their essential element a coating including a cellulose compound and a tempering agent. However, the court held in the instant case: "the patent is limited to no formula but only teaches that a proper coating for dry stencil sheets should have a small percentage of nitrocellulose and a large percentage of soft materials

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of an oily character * * * But Hill's specification does not require that castor oil or any oil be used", quoting from its earlier case (*A. B. Dick* v. *Shallcross*, 42 (2) 169 (1930), opinion by Judge Augustus N. Hand). The stencil in the *Shallcross* case used oleic acid (red oil). Following this percentage rule Judge Patterson held the A F stencil of wax and oleic acid (red oil) an infringement. The Special Master and the District Court, also applied this rule to the MO_{37} and MO stencils.

The foregoing *Shallcross* case, (an appeal from an order for a preliminary injunction), was based on *A. B. Dick* v. *Simplicator Corp.* (34 F. (2) 935, C. C. A. (2) 1929, opinion by Judge Augustus N. Hand affirming Judge Winslow's opinion (30 F. (2) 713)) which held the patent valid and infringed by a stencil using castor oil. The claims now in suit were not set forth in the *Simplicator* opinions.

In the Third Circuit, *Arlac Dry Stencil Corp.* v. *A. B. Dick Co.* (46 F. (2) 899, C. C. A. 3, 1931, opinion by Judge Woolley). There were two stencils. The first stencil used castor oil, and defendant was held by *res adjudicata* under the *Simplicator* case. The second stencil used oleic acid (red oil), and the court followed the *Shallcross* case. It rightly expressed certain views on the scope of the patent, to wit: that the Second Circuit court could construe the claims only with respect to defendant's oil practice,—"and that is all the court could validly do" (at p. 902).

In the Seventh Circuit, *Heyer Duplicator Company* v. *A. B. Dick & Co.*, 59 F. (2) 787, C. C. A. 7, 1932, the stencil used oleic acid (red oil) and followed the *Shallcross* case.

In the MO_{37} and MO stencils of the instant case, neither castor oil nor oleic acid (red oil) was used, thus differentiating from all the stencils held as infringements in these litigations. The essential ingredient was amylstearate which is not an oil, nor does it have the greasy feel of an oil. (It has been erroneously referred to as "of an oily

nature".) The difference is radical and goes to the essence of the organism.

While the foregoing percentage rule of the *Shallcross* case may have had application to the A F stencil which had a large amount of oleic acid, it did not have "that peculiar sanctity" as applied to the MO_{37} and MO stencils, which, as Judge Pound said in *People* v. *Rutigliano*, 261 N. Y. 103, 107: "as applied to another case is quite without foundation".

The *Simplicator* case differentiated the patent from the prior art Campion patent by stating that the patent had a large proportion of oil. The *Shallcross* case so differentiated by the percentage rule. This, in effect, admitted that the claims as issued were invalid without these differentiations. In the instant case, parts of the specification were read into the claims in the belief that the MO_{37} and MO stencils had these parts. Moreover it was said that the patent did not require an oil. By this addition to and subtraction from the claims, it was held that the MO_{37} and MO stencils infringed the claims in suit.

The Court of Appeals held on the findings of facts: "They clearly covered the ultimate facts and were not required to set forth the details of the evidence".

The Court of Appeals held on the form of the accounting: "the rule for accounting in situations like the present implicit in the decision of the Supreme Court in *Duplate Corp.* v. *Triplex Co.*, 298 U. S. 448, precludes any results other than those arrived at".

The Court of Appeals held that a California corporation, not a party defendant, should account for its profits.

II.

Statement as to Jurisdiction.

(1) Jurisdiction to issue the writ rests on Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C. 347).

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(2) The date of the judgment is June 26, 1946, reported in 155 F. (2) 923. Petition for rehearing was denied on July 25, 1946.

III.

Questions Presented Arising Out of the Judgment of the Court of Appeals:

QUESTION 1.

Where, from the specification or language of a chemical product claim it is clear that the Patent Office intended to grant the broader monopoly which turns out to be invalid, the courts may not for the arbitrary purpose of saving the claim, or for extending its breadth and scope to hold infringement, read into the claim a part of the specification which it does not have.

QUESTION 2.

When, in an equity case, the findings of fact do not state the ultimate facts in their legal effects, with sufficient subordinate or circumstantial facts to enable the correctness of the ultimate facts to be ascertained as required by the applicable decisions of this court, then such findings do not comply with Rule 52, Federal Rules of Civil Procedure.

QUESTION 3.

In patent accounting proceedings, the accounting master appointed to take an account of the profits on devices held by the trial court to infringe the patent, is limited to such devices by the interlocutory decree, and he has no power to judge other devices which were not before the trial court and which present different issues than the issue decided at the trial.

QUESTION 4.

A defendant is entitled to his day in court on a new construction of different means, operation and result from the construction held to be an infringement by the interlocutory decree, the accounting master having no power under the decree to judge the question of infringement, barring the defendant from defenses as prior art, etc., applicable to such new construction.

QUESTION 5.

Where in the course of business, each infringement is treated by itself, showing a profit in one infringement and a loss in another, the plaintiff may elect the profits and disregard the losses, but where a large number of sales under varying conditions are made in a continuous manner, and defendant's books are kept accordingly, without a cost accounting system, with losses occurring concurrently with the gaining of profits, then the resultant profits of the sales constituting the infringing transaction, are determined by designating the so-called losses as diminutions.

QUESTION 6.

A corporation, not a party defendant, cannot be made to account for its profits in an accounting under an interlocutory decree against an individual, who, on the incorporation of that corporation by the creditor of the individual's California business, divested himself of all of the incorporating stock at the time of the incorporation, and never thereafter voted the stock, and never attended any stockholder's meeting.

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IV.

Reasons Relied on for the Allowance of the Writ.

(a) Different interpretations of the patent in suit as to its scope by different Circuit Courts of Appeals, and by the same Circuit Court of Appeals.

(b) Departure from the accepted and usual course of judicial proceedings as to call for this court's power of supervision.

(c) The decision of the instant case is in conflict with the applicable decisions of this court.

(d) Important questions of federal law are presented which have not been, but should be settled by this court.

Supporting Statements for the Reasons Relied On.

(1) Different Interpretations of the Patent in Suit as to Its Scope by Different Circuit Courts of Appeals, and by the same Circuit Court of Appeals.

(a) In the instant case, the Court of Appeals (Judges L. Hand, Augustus N. Hand and Clark) stated it had given the patent in suit a broad construction in its earlier case, *A. B. Dick* v. *Shallcross Co.* (1930) 42 F. (2) 169, 170, 171, (Judges L. Hand, Augustus N. Hand and Chase). Judge Augustus N. Hand delivered both opinions.

(b) The same Court of Appeals (1934) in *A. B. Dick* v. *Kensington Co.* (72 F. [2] 268, 270) (Judges Manton, L. Hand, and Chase), by Judge Manton had stated:

> "The prior art precludes any broad interpretation of the claims of the Hill patent. * * * Stencils, including dry stencils, were old, and binders and

> tempering agents were found in them. • • • No doctrine of functional efficiency can be extended to give to Hill a monopoly so as to include a stencil having a binder and a tempering agent which is different from that used by Hill, and which may now have some commercial success."

(c) The Circuit Court of Appeals for the Third Circuit, *Arlac* v. *A. B. Dick Co.*, 46 F. (2) 899 (Judges Buffington, Woolley and Thompson), Judge Woolley, having both the foregoing Shailcross opinion and an earlier opinion of Judge Augustus N. Hand in the *A. B. Dick* v. *Simplicator Co.* (1929) C. C. A. 2, (Judges Manton, L. Hand and Augustus N. Hand) (42 F. [2] 169) before him, which latter he held *res adjudicata*, stated at 901:

> "The narrow claims call for and name tempering agents, such as 'oil', 'castor oil', 'vegetable oil'. The broad claims, notably claims 2 and 18, call merely for a 'tempering agent' without naming it. The art knew what a tempering agent was. It knew it was oil of some kind; and it knew of no other, unless it be glycerin which is a derivative of fats and oils.[1] Hill discovered and disclosed nothing novel about that. He simply and broadly called for a tempering agent 'such as oil',[2] preferably, 'castor oil or a similar oil' having a given quality. The Circuit Court of Appeals for the Second Circuit found invention in the broad claims calling merely for a 'tempering agent', and found they were infringed by the use of castor oil as such agent. Evidently for the purposes of that case the words 'tempering agent' were construed

1. The patent in suit speaks of a tempering agent such as starch or glycerin as known to the prior art.

2. The patent says "such as an oil".

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> to mean oil without limitation except as to function. The defendants used oil. If their tempering agent had been something other than oil, *the problem of construing the broad claims might have been more difficult—at least, it would have been different.* But in construing the claims with respect to the defendants' oil practice—*and that is all the court could validly do*—the Circuit Court of Appeals for the Second Circuit construed them with respect to the tempering agent or oil and in doing so, very properly, we think, refused to restrict the broad claims to the specific limitations of the narrow ones." (Italics supplied.)

Judge Woolley disagreed with the dictum in the *Shallcross* case, that the patent in suit does not require "any oil". If claims 2 and 18 mean oil, then these broad claims are the same as the more specific claims referred to.

(2) Departure From the Accepted and Usual Course of Judicial Proceedings as to Call for This Court's Power of Supervision.

In the *Simplicator* case, the court emphasized the large proportion of oil to distinguish the patent in suit from the prior second Campion patent.[1] In the *Shallcross* case, the court announced the percentage rule: a small percentage of nitrocellulose and a large amount of soft materials of an oily character.[2] As the Shallcross defendant used oleic acid or red oil,[3] the statement in the *Shallcross* case, that "Hill's specification does not require that

1. "* * a sheet of Japanese paper impregnated uniformly with a solution of celluloid in its solvents, to which solution is added castor oil or a similar suitable oil." The entire claim is quoted in the *Simplicator* case. Celluloid is a cellulose compound.

2. The claims are silent as to proportion or percentages.

3. Oleic acid is commonly known as an oil. Oleic acid is the oiliest part of an oil. Oleic acid also results from decomposition of castor oil.

castor oil or any oil shall be used", was unnecessary to the decision of that case.

It became necessary in this case to make that dictum a holding. This was a departure as the patent in suit only sets forth a "tempering agent such as an oil". The plural "materials of an oily character" is a contradiction of the wording of the patent, which clearly says "an oil". It is this misnomer which misled Judge Patterson in the A F trial, and also the Special Master and the District Court in the instant case. It is followed by the Court of Appeals in the instant case. There is nothing in the claims in suit setting out as an element "materials of an oily character."

That percentage rule or "only teaching" was made in the face of certain claims, which claimed the cellulose compound alone, *i. e.* without the tempering agent. These claims were held void by the Court of Appeals, but on rehearing it was said the question was moot, a rather strange position to take in respect to a contested issue. The court added, by way of legislation, that plaintiff did not have to file a disclaimer. Plaintiff never did. Invalidity follows under the later cases of this court (*Ensten* v. *Simon Ascher & Co.*, 282 U. S. 445, 458; *Marconi Wireless Tel. Co. of America* v. *United States*, 320 U. S. 1, 58.)

While this percentage rule is referred to in the instant case, it was not considered essential in the *ratio decidendi* of the question of infringement. The thing now decided was that parts of the altered specification could be imported into the claims. This was a departure.

In the *Shallcross* case, the court said that "tempering agent" and "homogeneity" were to be considered "practical" and so held in this case. This is a novel view applied to chemical patents.

The *Kensington* case, 72 F. (2) 268, should have prevented the disclosure of the patent from being broadened

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to "without oil", in the instant case. This was a departure. *Matheson* v. *Campbell*, 78 Fed. 910 (CCA 2) also should have prevented such a departure.

The accepted and usual course required that that latest pronouncement of the Court of Appeals should have been adhered to, save for very cogent reasons, which, however, do not appear. The *Kensington* case was not referred to in the instant case.[1] The public, *i. e.*, this petitioner, had the right to rely on that narrower scope. *Stare Decisis*, 37 Harvard Law Review, 409, *Stare Decisis*, Moschzisker; *Stare Decisis*, American Bar Association Journal, October 1945.

The claims in issue of the patent specify "a coating including a cellulose compound and a tempering agent." The court construed that coating to include a dissolved and destroyed cellulose compound and a non-volatile solvent, in which the cellulose compound of the patent is absent and in which there is nothing to act as the tempering agent of the patent. With this broad construction, the patent does not define the invention with the particularity and definiteness required under Section 4888, and does not warn the public that such a different composition would infringe.

(3) The Decision of the Instant Case Is in Conflict With the Applicable Decisions of This Court.

In the instant case, the court held: "The issues as to the scope of the claims and defendant's infringement are not determined by whether the tempering agent is an oil under a mere chemical definition,[2] but whether it is 'such as oil', and like the castor oil recommended

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1. The *Duplicating Machine* case with which the *Kensington* case was consolidated, was cited. There were two different stencils.

2. In the *Shallcross* case, the court stated that the test of "what is oil is not the chemical meaning of the word but its general meaning, * * *" and that "the homogeneity referred to is not chemical but practical * * *."

in the specification, will prevent the pyroxylin enamel from drying too hard[3] and making the coating undesirably brittle". " • • • What is called for by the claims as read in the light of the specification is not a sheet in which the structure of the fibrous pyroxylin coating is retained, but one in which the coating[4] made of pyroxylin enamel is by the use of a tempering agent 'such as oil'[5] prevented from becoming too brittle. The coating,[6] whether castor oil or amylstearate be employed as a tempering agent, forms with the cellulose ester and its solvent a homogeneous body,[7] and thus is within the claims of the patent". The court thereby imported into the claims in suit the function of preventing the pyroxylin from becoming too brittle, as also the element of a "homogeneous body". This is contrary to *McCarty* v. *Lehigh Valley R.R. Co.*, 160 U. S. 110, 116, 40 L. Ed. 358), which says: "The difficulty is that if we once begin to include elements not mentioned in the claims in order to limit such claims and avoid a defense of anticipation, we should never know where to stop."

(4) Important Questions of Federal Law Are Presented Which Have Not Been, But Should Be Settled by This Court.

Question No. 1 Should Be Allowed.

The recent case of *United Carbon Co.* v. *Binney & Smith Co.*, 317 U. S. 228, 235, 237, after stating that respondent

3. There is no proof of this fact in the case.

4. In the patent, not the coating but the pyroxylin enamel is referred to as not becoming brittle. The claims do not contain this statement but only the coating including the cellulose compound and the tempering agent.

5. In the patent "such as an oil" is used (Pat. p. 1, l.70) not "such as oil".

6. The court probably intended to say that the castor oil or the amylstearate "forms with the cellulose ester and its solvent a homogeneous body", since the coating according to the claim includes the cellulose ester and the tempering agent.

7. There is no proof of this fact in the case.

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urged that the claims must be read in the light of the specification said: *"Assuming the propriety of this method* of construction, cf. *General Electric Co.* v. *Wabash Appliance Corp., supra,* 304 U. S. at 373-375". In this cited case, it was said: "The product claims here involved cannot be validated by reference to the specification. *Assuming that in a proper case* a claim may be upheld by reference to the descriptive part of the specification in order to give definite content to elements stated in the claim in broad or functional terms, * * *." (Italics supplied in both quotations.)

In *Altoona Publix Theatres* v. *American Tri-Ergon Corporation,* 294 U. S. 477, 487, 79 L. Ed. 1005, 55 S. Ct. 455, Justice Stone said, in passing: "As none of the flywheel claims as drawn define an invention, none can be aided by reading into it parts of the specifications, or of other claims, which the patentees failed to include in it."

This court has not expressed itself as to the extent to which a part of a specification may be used to be "read into a claim". The question was left open. See also: *Holland Furniture Co.* v. *Perkins Glue Co.,* 277 U. S. 245.

Question No. 2 Should Be Allowed.

"Ultimate facts" must be stated according to their "legal effects". The facts which must be found are those which raise a rule of law, since out of ultimate facts in proper kind and number arise the concepts of law. A concept of law falls into lesser legal concepts and hence groups. The main concept of law may turn upon the validity of a subconcept. The fundamental reason for objecting to a finding of the main concept is to force the issue from the form of generalization into that of specific facts. Insistence upon stating the ultimate facts according to their legal effects, is to prevent the issues from disintegrating into evidentiary details.

Following these principles, the fundamental concept of law here is infringement, having the subconcept that things are the same in patent law, if they have substantially the same means, work in substantially the same way, and produce by such working substantially the same result. The issue: "does the defendant have a cellulose compound and a tempering agent", cannot be found by saying: "yes, defendant has a cellulose compound and a tempering agent" as this is a conclusion. There must be facts stated from which that conclusion can be drawn. There are no such facts in findings 11, 14 and 17, which quote the claim verbatim, prefaced by "Tests performed showed", without stating the nature of the tests. Findings 10 to 19 are subjoined to the opinion.

The findings 10, 12, 13, 15, 16 and 18, which set out the percentage rule of the *Shallcross* case, and the alleged constituents of the "oily material", do not set forth any ultimate facts in their legal effects, since those findings may be true (which is denied), but they still fail to constitute the cause of action in issue. Also, the intervening facts necessary to show what "homogeneous", "oily material", "nitrocellulose" and "binder" includes or excludes, are absent. These findings do not show facts to establish identity of the constituents, their working and the result thereof, of petitioner's product with the patented product. Neither the ultimate facts, nor the circumstantial or subordinate facts are set forth.

Likewise, in Finding 19, to speak of "functioned as a tempering agent" and "merely colorable" differences, state conclusions without the aid of any facts to determine their correctness (*Esnault-Pelterie* case, 299 U. S. 201).

Finding 21 is printed on the top of Record, page 1156.

Finding 21, with its preceding finding 20, fails also in setting forth ultimate facts in their legal effects. They may be admitted to be true (though denied "that petitioner's accounts were deficient" and that respondent's

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statement was "done in a proper manner"), yet the ultimate facts, with their circumstantial facts, necessary to set up a cause of action, such as would be within the segregation rule or within the Macbeth continuous business rule, which was the actual issue in this part of the case, are entirely absent.

Petitioner has at no time contended that evidentiary facts or details of the evidence be set up in the findings of fact. Petitioner recognizes the sharp distinction between evidentiary facts, and ultimate facts in their legal effects.

Proof positive that the "findings of fact" in this case are totally deficient, is the opinion of the Court of Appeals. If, as the Court held, the function of "prevented from becoming too brittle", and the result produced, "a homogeneous body", are such ultimate facts from which it may be concluded "thus is within the claims of the patent", then such facts should have appeared in the findings of fact. Their absence proves the incompleteness of the present findings.

Also, the proven constituents of the MO_{37} and MO stencils are not stated, with their proportions.

Questions Nos. 3 and 4 Should Be Allowed.

There exists a diversity of views in the different Circuits as to the scope of the functions of the master; the Second Circuit giving him an open field; the Eighth Circuit narrowing his field to factual resemblances; the Third Circuit requiring the master to refer the new questions to the court; and the First and Seventh Circuits indicating the necessity of the filing of a new or supplemental bill of complaint on the new structure.

In the Second Circuit, "the master is bound to pass upon the question of infringement as to all devices brought before him on the accounting * *" (*Per curiam* opinion, *Louis Metzger & Co.* v. *Berlin*, C. C. A. 2, 1912, 194 Fed. 426). Infringement, in an equity case, is a mixed question

of law and fact. (*California Artificial Stone Paving Co.* v. *Molitor*, 113 U. S. 609, at 28 L. Ed. 1106 at 1109.)

"But the better practice seems to be for the court itself to decide all questions of infringement before the interlocutory decree is entered" (citing cases). (*Chicago Grain Door Co.* v. *Chicago, B. R. Co., et al.*, 137 Fed. 101, at 105.) In other words, a defendant is entitled to his day in court and can adduce prior art.

Question No. 5 Should Be Allowed.

In *Macbeth Evans Glass Co.* v. *L. E. Smith Glass Co.*, 21 F. (2) 553, Judge Thompson, on an accounting for the making and selling of automobile lenses in large quantities, stated at page 555:

> "While it may be stated as a general rule, that, when a part of the infringement resulted in profits, and a part in losses, the complainant is entitled to recover the profits, without deduction on account of the losses, as each infringement is treated by itself; but losses occurring concurrently with the gaining of profits should be taken into account, if they resulted from the particular transaction on which the profits are allowed. In other words, though called losses, they are really diminutions, which are taken into account in reaching the resultant profits of the sales, on which profits were made."

In the same case, the Court of Appeals (Judges Buffington, Woolley and Davis), Judge Woolley stated: "Being almost wholly in accord with the reasoning and judgment of the learned trial judge", and affirmed the amount of infringment profits, though it modified the judgment on points not of interest here.

The Duplate Corp. v. *Triplex Safety Glass Co.*, 298 U. S. 448, at page 458, opinion by Mr. Justice Cardozo, sets forth Section 5, from which the Court of Appeals in the instant case quoted, and later in its opinion said "princi-

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pally because the rule for accounting in situations like the present implicit in the decision of the Supreme Court in *Duplate Co.* v. *Triplex Co.*, 298 U. S. 448, precludes any results other than those arrived at" (R. p. 1662) namely, that: "the losses did not result from the particular transactions in which there were gains and, therefore, under the rule of *Duplate* v. *Triplex Co.*, 298 U. S. 448, 458, could not be used as an offset to the profits".

In the *Duplate* case the privilege of election was not contested by the defendants but it was argued that the costs could not be ascertained with precision. However, the thing decided was that as the defendants on their books had taken a fixed amount as an average cost, and "kept their books upon the method they decry, and measured loss or gain accordingly", the defendants were bound by that amount, and the election method or the segregation rule thus applied to them.

In view of this *ratio decidendi*, the preamble to that decision, Section 5 of the *Duplate* case, if extended beyond the facts of that case, constitutes dictum, and is not a rule controlling all accountings. This, we submit, is particularly so, as the cases cited in the preamble of Section 5 do not make the segregation rule applicable to every case.

An excellent opinion on the features of a business as applied in patent accountings and distinguishing between fictitious profits and business profits is by Judge Geiger in *Christensen* v. *National Brake & Electric Co.*, 10 F. (2) 856, 871.

Question No. 6 Should Be Allowed.

In *Davey Tree Expert Co.* v. *Frost & Bartlett Co.*, 300 Fed. 680, 681 (D. C. Conn. 1924) defendant and a corporation were parties defendant. The Special Master in the accounting proceedings included that other corporation. Judge Thomas reversed that holding: "I therefore con-

clude that an accounting of the profits derived by the Francis A. Bartlett Co. was not contemplated * * ". The court stated that the decree was a consent decree. The principle nevertheless is applicable to the present decree. The point decided was, what was contemplated by the decree. The court referred to *New York Grape Sugar Co.* v. *American Grape Sugar Co.* (C. C.) 42 Fed. 455, wherein an interlocutory decree finding infringement of a patent entered against the defendant corporation and certain of its officers and stockholders was involved. At the time the decree was entered, the other defendants mentioned, four brothers named Hamlin, controlled another corporation, and it was sought to have the brothers account for the profits derived by that other corporation. The court decided that it was *not intended by this decree* to have an accounting of the profits of the other corporation which the Hamlin's controlled.

In *L. P. Larson, Jr. Co.* v. *William Wrigley, Jr. Co.*, 20 F. (2) 830, 835, C. C. A. 7. 1927, the court held: "The District Court properly found that the accounting should not extend to the profits of this corporation. It was organized in Canada for the purpose of carrying on the gum business there; and while its stockholders were also Wrigley stockholders, and it handled there the Wrigley brands in very much the same manner as they were handled in the United States, it was a distinct entity, organized admittedly in good faith, and was not a party to this action."

The California corporation not being a party defendant in this case, the Accounting Master exceeded his powers by going beyond the intent of the decree.

V.

The Importance of the Questions.

I.—This case has a definite public interest. Some of our largest industries are based on the stability of the

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law of chemical patents. So important is this branch of the law, that it has induced much research and writing, of which the books cited below are only a few.[1]

The principles set up in the case at bar, contrary to the weight of authority, will be quoted and followed unless reversed, and bring about confusion in the law of chemical patents.

The extent of using the specification to construe product claims, has given much difficulty to the courts passing on patents. As examples, see *Aluminum Co.* v. *Thompson Products Co.*, 122 F. (2) 796 (C. C. A. 6). In *Musher Foundation* v. *Alba Trading Co.*, 150 F. (2) 885, the lower court took one view and the appellate court another view. Petition for certiorari in which the present point was not raised (*Alba Trading Co.* v. *Musher Foundation*, U. S. Sup. Ct., October Term, 1945, No. 500) denied. In *Sinclair & Carroll Company* v. *Interchemical Corporation*, 325 U. S. 327-335, the District Court construed the patent in one way, and the appellate court in another. Petition for certiorari granted, but decided on the question of invention.

In the two *Schriber-Schroth* cases, the Court of Appeals in each case read the specification into the claims, but this court in each case held the patent void for lack of invention. *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 311 U. S. 211, 85 L. Ed. 132, and 305 U. S. 57, 83 L. Ed. 39.

II.—If findings of fact now required in every patent suit be left to the winning side (see *Heyer Duplicator Company* v. *A. B. Dick Co.*, 54 F. [2] at 988 "Findings of law and fact * * * may be prepared by counsel for plaintiff * * * "), and the objections or the additional findings proposed by the loser be overruled, such findings form merely the scaffolding in support of the opinion. But if true findings of fact in accordance with the principles un-

1. Thomas, on Law of Chemical Patents. Biesterfeld, on Patent Law (chemical). Deller, Patent Law for Chemical and Metallurgical Industries.

derlying them, be made essential, then the litigants have an equal chance in the appellate court. It is of the highest importance to the practice and jurisprudence of patent law under Rule 52, that full and complete findings, particularly where expert evidence is involved, be required.

III and IV.—The incongruity of the practices in patent accountings in different circuits should be superseded by a rule uniform for all circuits in which the accounting master is confined to factual resemblances. As to new constructions, a defendant should be assured his day in court.

V.—If the segregation rule, electing the profitable sales and discarding sales which appear as losses on some accounting theory, is to be mandatory in all patent accountings, then industry should be so informed at the earliest.

VI.—We find no case in this court which passed on the intent of an interlocutory decree as applied to bringing in a new party.

Prayer.

Wherefore, your petitioner respectfully prays that a Writ of Certiorari be issued to the Second Court to the end that this case may be reviewed and determined by this Court, that the judgment of the Circuit Court of Appeals for the Second Circuit be reversed, and that petitioner be granted such other and further relief as may be proper.

Respectfully submitted,

C. P. Goepel,
Attorney for Petitioner.

Edward D. Bolton,
Of Counsel.

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Assignment of Errors.

The Circuit Court of Appeals erred:

1. In failing to follow under *stare decisis* its last previous holding that the prior art precludes any broad interpretation of the patent, and in giving this patent a broad construction.

2. In failing to give the patent a narrow construction as the claims in suit do not differ from the prior art which used a cellulose compound and a tempering agent of oil.

3. In disregarding the provisions of the patent, "such as an oil" and "castor oil or a similar oil" when construing the tempering agent element of the claim.

4. In holding that the patent did not require any oil.

5. In holding that the tempering agent is to be considered in its general meaning, and that the test of what is a tempering agent is not chemical but a practical one.

6. In holding that the homogeneity is practical, when a "homogeneous body" has the chemical meaning of a modified cellulose compound formed by an oil to make it substantially stable for the purpose intended, to wit: prevent the modified cellulose compound from dying too hard.

7. In holding that the earlier Shallcross infringement did not use an oil, when the court had said in the *Shallcross* case that "oleic acid commonly known as an oil", and when red oil was actually used and was defined as red oil both by the trial court in that case and by the Court of Appeals of the Third Circuit.

8. In holding that the "only teaching" of the patent is the percentage rule of the *Shallcross* case, when the

patent specification does not set out that rule, and the claims in suit do not so specify.

9. In holding that the scope of the claims and defendant's infringement are not determined by whether the tempering agent is an oil under a mere chemical definition, but whether it is "such as oil", and will prevent the pyroxylin enamel from drying too hard; and that petitioner's "tempering agents" fully answered the claims as heretofore defined by the courts.

10. In holding that the fact that the amylstearate used in petitioner's sheets does not precipitate the nitrocellulose as the "preferred" castor oil recommended in the specification does, but dissolves it and destroys its fibrous structure, is irrelevant.

11. In holding that the stencils charged to infringe have a "homogeneous body" and thus come within the claims in suit, when the claims do not so specify thereby importing an element into the broad claims in issue, and when there is not an iota of evidence to prove that defendant's composition has the "homogeneous body" of the patent.

12. In giving weight to Jepson's testimony given at the trial that amylstearate was an oily liquid, when Jepson testified he was not a chemist and the trial judge so stated, and when the opposing experts in the accounting proceeding agreed it was not an oil. A liquid having the viscosity of an oil, is not an oil, unless it has the fatty acids which compose an oil. The evidence in the accounting proceedings establishes that the amylstearate destroys the fibers of the cellulose compound, whereas there is no such evidence at the trial about the A F stencil. The experts also agreed that softening and tempering nitrocel-

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lulose were not the same thing. It was error to say that Jepson testified that amylstearate softened the nitrocellulose. Even if Jepson's guess be considered that the A F stencil contained some mineral oil and amylstearate, the A F contained a large quantity of oleic acid (red oil). It was error to say that mineral oil and amylstearate served to keep the nitrocellulose soft. It was error to misname the P. E. extract a liquid oily material. Error to say that defendant's expert Worden testified as stated.

13. In holding that it "does not follow that these ingredients (mineral oil and amylstearate) if, as found to be the fact, they served to keep the nitrocellulose soft would not act as a tempering agent". Here the court makes a *presumptio hominis.* The burden was on the respondent to establish this, and on this there is no satisfactory proof. In view of the evidence, one cannot infer from a soft nitrocellulose that a tempering agent was used. The evidence shows a marketable soft nitrocellulose, which remains soft and requires no tempering agent as the particular pyroxylin enamel of the patent does. It was error to affirm Grosvenor's and the Special Masters' misuse of the word tempered.

14. In holding that petitioner has infringed the claims in suit by the MO_{37} and MO stencils and such other stencils of which no proof was offered. The diversity of the MO_{37} and MO presumes that the other stencils were different. The plaintiff had the burden of facts in making up the case.

15. In holding that the MO_{37} and MO stencils came within Judge Patterson's decree. In holding that the oily material of the MO was practically the same as that of the Simplicator stencil, when the MO stencil did not

have oily material in the same percentage, its only oily material being the mineral oil. It was error to say that the MO and MO_{37} had wax. It was error to say that mineral oil and castor oil were the same, since their action is different. In the presence of a large quantity of amylstearate, the mineral oil does not act like the oil of the patent.

16. In holding that the findings of fact "covered the ultimate facts" of the case and were sufficiently specific.

17. In holding that the rule for accounting in situations like the present implicit in the decison of the Supreme Court in *Duplate Corp.* v. *Triplex Co.*, 228 U. S. 448, precludes any results other than arrived at, and in relying on a dictum of the *Duplate* case. In not holding that petitioner's final report was in accordance with the conduct of its business, that the business of selling stencils of various sizes was a continuous business, all relating to the same transaction and that the Macbeth continuous business rule applied where the losses in certain sales were diminutions of profits.

18. In holding that petitioner's sales were on a "quire" basis, when in fact though petitioner sold the sheets in the nomenclature of the trade as quires, the purchases and sales prices were determined by the sizes or square inch content. It was error to say that petitioner's stencils were not distinguished on his books.

19. In holding that the California corporation of which the defendant was the sole stockholder when he had divested himself of the stock by assignment immediately on the issuance of the stock, and in not finding the facts in "defendant's own testimony" on which the court relied. The stipulation referred to was made

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after the Special Master had included the California corporation, so the conclusion of the court is in error. The case cited, *Westinghouse* v. *Allis-Chalmers Co.*, 176 Fed. 367-368, is not in point, and differs in its facts.

The case of *Davey Tree Expert Co. et al.* v. *Frost & Bartlett et al.*, 300 Fed. 680, is the nearest case and should have been followed.

20. In not giving petitioner his day in court on the MO_{37} and MO stencils.

21. In failing to hold the claims in suit void as to the MO_{37} and MO as to which the validity was questioned.

Section 4888.

Sec. 4888 (U. S. C., Title 35, Sec. 33). Before any inventor or discoverer shall receive a patent for his invention or discovery, he shall make application therefore in writing, to the Commissioner of Patents, and shall file in the Patent Office a written description of the same, and of the manner and process of making, constructing, compounding, and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art of science to which it appertains, or with which it is most nearly connected, to make, construct, compound, and use the same; and in case of a machine, he shall explain the principle thereof, and the best mode in which he has contemplated applying that principle, so as to distinguish it from other inventions; and he shall particularly point out and distinctly claim the part, improvement, or combination which he claims as his invention or discovery. * * *.

Rule 52. Findings by the Court.

(a) Effect. In all actions tried upon the facts without a jury, the court shall find the facts specially and state separately its conclusions of law thereon and direct the entry of the appropriate judgment; and in granting or refusing interlocutory injuctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court.

(b) Amendment. Upon motion of a party made not later than 10 days after entry of judgment the court may amend its findings or make additional findings and may amend the judgment accordingly. The motion may be made with a motion for a new trial pursuant to Rule 59. When findings of fact are made in actions tried by the court without a jury, the question of the sufficiency of the evidence to support the findings may thereafter be raised whether or not the party raising the question has made in the district court an objection to such findings or has made a motion to amend them or a motion for judgment.

Statement as to Opinions Below.

Compliance with Rule 12 as to appending to statement, a copy of the opinion delivered on the rendering of the judgment sought to be reviewed is made by filing a copy of such opinion. The opinion is reported in 155 F. (2) 923 (advance sheets).

The earlier opinion in the same case of the District Judge is printed in the record on page 1143.

The Findings of Fact are printed on page 1154.

The final judgment is printed on page 1157.

The report of the Special Master is printed in the record on page 1084.

The opinion of Judge Patterson is printed in the record on page 76.

The Interlocutory Decree is printed in the record on page 79.

The earlier opinions on the same patent in related cases, (in which, however, petitioner was not a party) are listed as a group in the beginning of the Index of Cases of the Petition.

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IN THE

Supreme Court of the United States

October Term, 1946.

No. 504

JAMES MARR, doing business as MARR DUPLICATOR COMPANY,

Petitioner,

vs.

A. B. DICK COMPANY,

Respondent.

Brief for a Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit.

C. P. Goepel,
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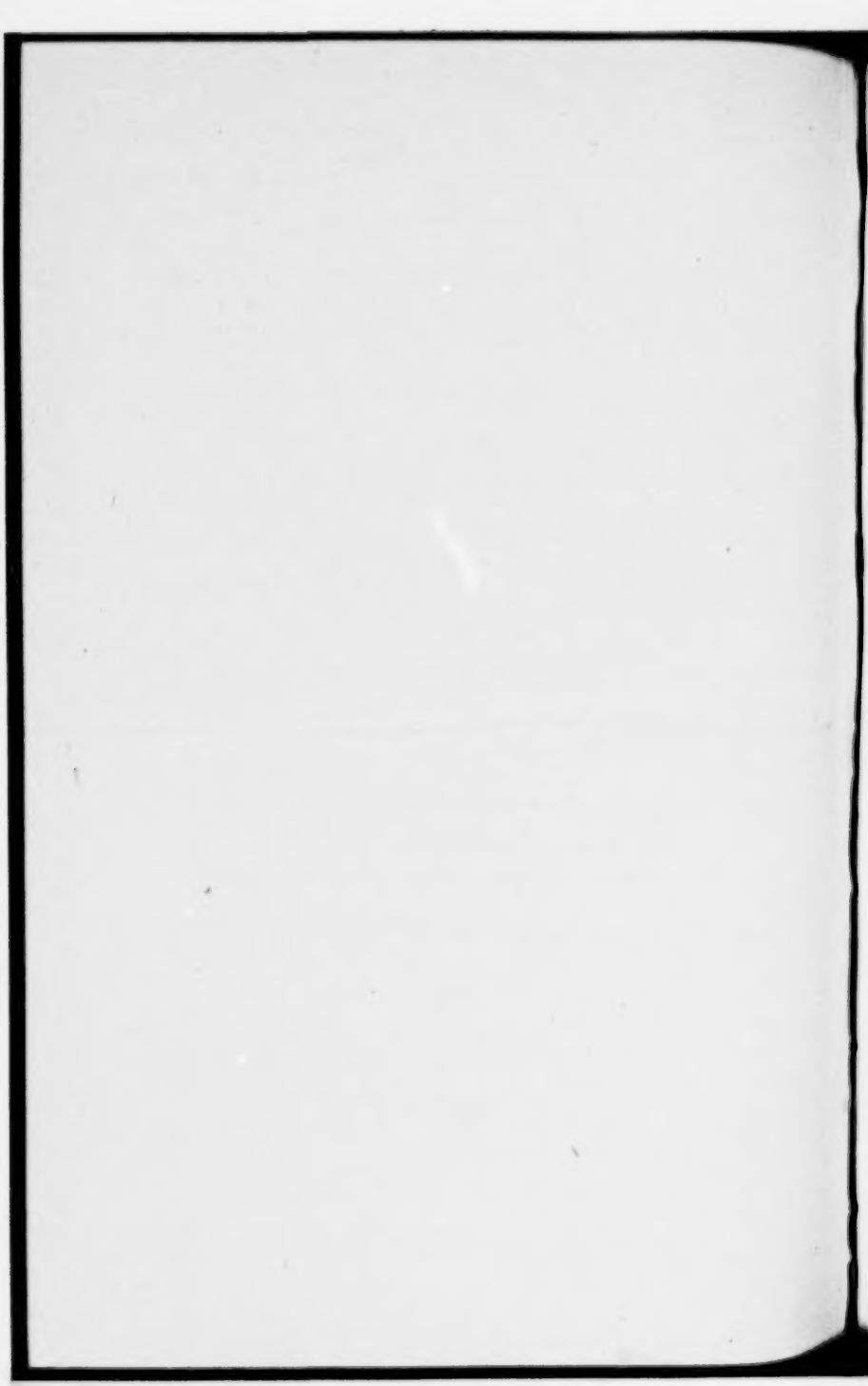

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

JAMES MARR, doing business as MARR DUPLICATOR COMPANY,
Petitioner,

vs.

A. B. DICK COMPANY,
Respondent.

No. .....

Brief for a Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit.

Summary of the Argument.

1. The claims in suit cannot extend beyond the specific concept disclosed.

2. They are not infringed by petitioner's separate and distinct organism based upon different constituents which neither work the same way, nor produce by their working the same result.

3. When the claims are construed beyond the disclosed oil concept, they are claims for the result of preventing the stencil becoming brittle and for the function of so-called tempering, and void.

4. The claims must stand as written, and the specification cannot be used to import qualifications into the claims in order to save them over the prior Campion patent, or to include petitioner's structure.

5. The findings of fact required by Rule 52 must state ultimate facts in their legal effects, with such subordinate or circumstantial facts as will enable the correctness of the ultimate facts to be ascertained.

6. On the form of the accounting, petitioner's business for the period of the accounting formed the infringing transaction, in which so-called losses are really diminutions of profit.

7. Petitioner's MO_{37} and MO stencils were not within the interlocutory decree ordering the accounting, and petitioner did not have his day in court.

8. The decree did not contemplate or intend to hold anyone but the petitioner.

ARGUMENT.

> "When things are called by the same name it is easy for the mind to slide into an assumption that the verbal identity is accompanied in all its sequences by identity of meaning. * * 'To know the justice of the particular case' * * one must know the case in its particulars." (*Lowden* v. *Northwestern Nat. Bank & T. Co.*, 298 U. S. 160, 165, 56 S. Ct. 696, 80 L. ed. 1114, 1117.)

The Patent in Suit.

The patent refers to the use of tempering agents such as sugar or glycerine as part of the state of the prior art.

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It then described pyroxylin enamel to consist of a cellulose compound and a solvent and zinc oxide, of a molasses-like consistency. As the solvent is volatile and evaporates, the pyroxylin enamel hardens. But when a tempering agent *such as an oil* (in distinction to the tempering agent such as sugar or glycerine) in an amount of 50% of such pyroxylin enamel is added, then the pyroxylin enamel will not dry "too hard, making the stencil undesirably brittle". Hill says: "I prefer to use castor oil or a similar oil forming a homogeneous body." ("Prefer" here means "to bring before, elect, select, choose.")

When castor oil is added to a cellulose compound the fibers become swollen due to the "precipitation" of the cellulose. The "homogeneous body" of the patent means then a precipitated cellulose of oil swollen fibers. As pyroxylin enamel of the patent contains zinc oxide, that element must undoubtedly perform an office in making the "homogeneous body".

Claim 2 reads as follows:

> "2. A stencil-sheet adapted for conversion into a stencil by the impact of type and the like thereon, the same comprising a base having a type-impressible *coating including a cellulose compound and a tempering agent.*"

Claim 18 merely substituted for "cellulose compound", the words "cellulose ester".

A cellulose ester is a cellulose compound. Nitrocellulose, also referred to in the patent, is a cellulose compound.

Petitioner's Alleged Infringing Stencils.

The constituent contents of the MO_{37} must be assumed, since respondent's witness declined to identify the

constituents positively, as 14.7% nitrocellulose, 11% mineral or paraffin oil, no wax, and about 34% of amylstearate (R. pp. 159, 185, 187, 193; 226, 228).

The constituent contents of the MO stencil is 9.82% nitrocellulose, 7.2% liquid paraffin oil, 3.6% solid paraffin, and 47.2% of amylstearate and stearic acid, positively identified without contradiction (R. pp. 361, 362, 365, 373).

Amylstearate is not an oil, as agreed by the opposing expert witnesses. It is not greasy, but has a dry feel.

Petitioner's expert witness testified without contradiction that amylstearate is a synthetic product of alcohol and stearic acid, is a non-volatile solvent of a cellulose compound, dissolves the compound and will not, like castor oil, precipitate the nitrocellulose to fibrous swollen form. The fiber structure of the cellulose compound is destroyed.

Construed Beyond the Oil Concept, the Claims are Void.

It is elementary that a chemical product claim must set forth in its terms characteristic indicia commensurate with the specification, by which it is distinguished from the prior art. Adding castor oil to celluloid (a cellulose compound), can have no other effect and produce no other result, whether such mixing is done by the earlier patent to Campion or by the patent in suit.

A true product claim must be described from the point of view of its end product, and not by any process step.

A claim for a coating including a cellulose compound and a tempering agent does not describe an end product. It describes a mere mixture of two ingredients without setting forth the effect produced by them. It merely continues the addition of the elements. An end product description would have been, for example, "a coating of a tempered cellulose compound", but such a claim was impossible on that specification, because no critical proportions were given as to where the tempering begins and ends. A soft cellulose compound is not a tempered

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cellulose compound, though tempered cellulose compound is soft. And is a cellulose compound almost hard, not known generally as soft, a tempered cellulose compound? This leads to the conclusion that no criterion was disclosed. The stencil of the patent, does not have the initial cellulose compound any more, and the tempering agent, having modified the initial cellulose compound, and having done its work, has merged into the cellulose in its precipitated state. The claim in issue is then incongruous to the end product, and void. (*Smith* v. *Murray*, 27 Fed. 69.) There is no description of the end product in the specification as an end product, by which it can be recognized and distinguished from any other end product.

The claims in suit were however defined in terms in the broadest monopolistic manner and without differentiation over Campion's patent of celluloid (cellulose) and castor oil. The patentee having elected such terms is bound by them and cannot be aided by importations of parts of the specification into the claim. ("The present condition of the patent law leaves no room for ambiguous language." *Merrill* v. *Yeomans*, 94 U. S. 568, 573, 24 L. Ed. 235.)

> " * * to hold that one who had discovered that a certain fibrous or textile material answered the required purpose, should obtain the right to exclude everybody from the whole domain of fibrous and textile materials, and thereby shut out any further efforts to discover a better specimen of that class than the patentee had employed, would be an unwarranted extension of his monopoly, and operate rather to discourage than to promote invention." *The Incandescent Lamp Patent* case, 159 U. S. 465, 476.

A functional claim is one that has for its subject the performance of an act merely, and not the means by which

that act is executed. It is not for a substantive thing, but for the result which that thing accomplishes.

The element "tempering agent" having the functional term "tempering" would permit it to be read as castor oil or oleic acid (red oil). This makes claim 2 synonymous with claim 7 which paraphrases claim 2, and substitutes "oil" for "tempering agent". As no alternative to oil has been disclosed in the specification, claim 2 when construed for something other than oil, is broader than the invention disclosed, and therefore void. This is particularly true since the patentee had referred to the prior art as having a tempering agent of sugar or glycerine and then says in connection with his invention, "such as an oil".

When "tempering agent" is construed as "other than oil" then "tempering agent" is for a function however produced which cannot be monopolized.

The Respective Concepts Are Different.

The prior Dick litigations imported a "large quantity" of oil into the claim to distinguish it from Campion to save the claim. This is tantamount to holding the claim invalid without such a restriction.

The opinion in the instant case stated, without questioning the factual content, that "amylstearate used in the defendant's sheets does not precipitate the nitrocellulose as the 'preferred' castor oil recommended in the specification does, but dissolves it and destroys its fibrous structure" is "quite irrelevant" (R. p. 1656). This chemical action was proven without contradiction. The court in rejecting this important chemical-physical action to irrelevancy overlooked the rule of equivalency, that two things to be the same, must have substantially the same means, work in substantially the same way, and produce substantially the same result by such working. The respective means (castor oil is a non-solvent oil, and amylstearate is a solvent non-oil

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and not greasy), are not the same, nor do they work the same, nor do they produce the same result by such working. For these reasons, this issue is relevant. Here is the crucial issue.

Much confusion exists in the law of patents from the use of the word "result". It is here wherein the Court of Appeals confused the general result of the function of "preventing the stencil from becoming too brittle", with the result (Professor Robinson prefers the word "effect") of the working of the means or element. If petitioner's stencils do not become brittle, that is due to factors altogether different from those inherent in the patentee's concept. As was well said in *A. B. Dick Co.* v. *Kensington*, 72 F. (2) 268, 270:

> "As has often been pointed out, no patent covers all the inventive conceptions of the patentee existing at the time when he procured it, but only such device, within the reasonable rule of equivalents applicable, as he describes and claims. *Outlook Envelope Co.* v. *Genl. Paper Goods Mfg. Co.*, 239 F. 877 (C. C. A. 2); *Loraine Development Co.* v. *Genl. Electric Co.*, 202 F. 215 (C. C. A. 2)."

Petitioner Does Not Infringe.

If the use of a small quantity of mineral oil infringes the claims in issue, then the patent is void over the earlier Campion patent. If the use of amylstearate infringes, then the claims are void under Section 4888.

Petitioner's stencils MO_{37} and MO did not have a large quantity of oil. They had a small quantity of mineral oil, 11% in the MO_{37} and 7.2% in the MO stencil. The Campion prior art had 6% of castor oil. The patent in suit sets forth 50% of pyroxylin enamel, thus about 33% of oil. The castor oil of the patent is a vegetable oil, it does not dissolve the cellulose compound. It does not readily

dry, and thus holds the cellulose compound soft for a long time when the cellulose compound is modified by the castor oil to fibrous form. But the large quantity of amylstearate of petitioner's stencil destroys the cellulose compound and being a nonvolatile solvent prevents the dissolved cellulose compound from returning to its initial collulose compound state, and so defendant's stencils MO_{37} and MO do not have the "cellulose compound" of the claim. As this solvent cannot be a tempering agent, since it does not hold the cellulose compound in its modified state, but destroys it, defendant's stencils do not have the tempering agent of the claims. The concept underlying petitioner's stencils is altogether different from the concept of the patent.

On Question No. 1.

When "tempering agent" is construed to mean "from becoming too brittle", or one forming "a homogeneous body", the broad claim is made a different claim than as issued. The former creates a claim covering every form of stencil however produced, the latter creates a specific invention which is in a different category than a broad invention. (*Westinghouse* v. *Metropolitan*, 290 F. 661, C. C. A. 2.) Both such interpretations read process into the product claim, and then the claim is confined to the process disclosed which petitioner does not use. (*Holland Furniture Co.* v. *Perkins Glue Co.*, 277 U. S. 245, 256-258.) There is no proof that petitioner used pyroxylin enamel which includes zinc oxide, or any oil in the proportion set forth in the specification.

When "tempering agent" is construed as a large quantity of oil, as in the *Simplicator* case, then a proportion is read into the claim to avoid the prior art Campion patent of celluloid (cellulose) and castor oil, and the claim is void. (*Ansonia Brass & Copper Co.* v. *Electric Supply Co.*, 144 U. S. 11, 18.)

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When "tempering agent" is construed as the "only teaching" or as "a small percentage of nitrocellulose and a large percentage of soft materials of an oily character", as was done in the *Shallcross* case (quoted in the instant case on R. p. 1652), then the claim is also void.

The instant case imported the function of "preventing the pyroxylin enamel from drying too hard" into the claim, and imported the chemical result of a "homogeneous body" into the claim, and excluded "oil" from the claim, in order to hold the MO_{37} and MO stencils.

It follows that Question I presents a very important and novel question of law and the broad claim, issued as too vague and too broad, and admittedly invalid, cannot be modified to save it, or hold an entirely different concept.

Cases of interest:

McLain v. *Ortmayer*, 141 U. S. 419;

Keystone Bridge Co. v. *Phoenix Iron Co.*, 95 U. S. 274;

The Incandescent Lamp Patent, 159 U. S. 465;

Westinghouse v. *Boyden*, 170 U. S. 537, 569 (cannot claim all effects);

Hunt, Helm, Ferris Co. v. *C. A. Libbey Co.*, 283 Fed. 58, at p. 60 ("quickly releasable" does not describe structure but a function);

Fulton Co. v. *Powers Regulator Co.*, 263 Fed. 578 at 582, C. C. A. 2 (cannot read specification into a claim);

Safety Car Heating Co. v. *Gould Coupler Co.*, 230 Fed. 848 at 850 (claims may be construed in the light of the drawings and specification, but cannot be broadened to include all matters, contained or stated therein. This would be substituting the specification for the claims as made);

Tyden v. *Ohio Table Co.*, 152 Fed. 183, C. C. A. 6 (functional, too broad);

Edna Brass Mfg. Co. v. *Wiltbonco Mfg. Co.*, 300 Fed. 36 (C. C. A. 1) (doctrine of equivalents does not apply as functions are different);

Heinbrink v. *McKesson*, 290 Fed. 665, 668 (claim void for function, citing *O'Reilly* v. *Morse*, 15 How. 62, 112; 15 Sup. Ct. 745; 39 L. Ed. 899).

On Question No. 2.

The *Esnault-Pelterie* case, 299 U. S. 201, on Court of Claims procedure, left open the question as to findings of fact in an equity case.

Rule 52 R. C. P. requiring a statement of facts to be filed with leave for the opposer to move for additional facts, was written against the background of the practice of formulating findings of facts. The great advantage advocated by the proponents of this Rule was that it would simplify appellate procedure, reduce the appeal record, save the time of the courts, and reduce the expenses to the litigants. It was long a part of the law that findings of fact are to be free of evidentiary facts, but are to contain the ultimate facts *in their legal effects*, together with such subordinate or circumstantial facts as to enable the correctness of the ultimate facts to be determined by the reviewing tribunal. When so stated, they are to stand unless clearly erroneous. To ascertain the facts is "not a mechanical act. It is a difficult art, not a science" (Judge Frank, in *U. S.* v. *Forness*, 125 Fed. (2) 928, C. C. A. 2).

It was urged by petitioner that the findings of facts in this case were incomplete, as well as erroneous, and did not state the ultimate facts. The Court of Appeals disposed of this contention by saying, "they clearly covered the ultimate facts and were not required to set forth the details of the evidence." In so holding, it overlooked the

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necessity of having the ultimate facts stated *in their legal effects*, with such circumstantial and subordinate facts to enable the correctness of the selection of the ultimate facts to be ascertained as required by this court (see *U. S.* v. *Esnault-Pelterie*, 299 U. S. 201, 205). Whatever may be the case in other branches of the law, in patent cases, no rule has been more honored in its breach than Rule 52. An authoritative pronouncement by this Court directed to equity practice in a patent case, will set the matter at rest.

Cases of interest:

Interstate Circuit v. *U. S.*, 304 U. S. 55, 56;
Mayo v. *Canning Co.*, 309 U. S. 310, 316;
Schneiderman v. *U. S.*, 320 U. S. 118, 128;
Ross v. *U. S.*, 12 C. Cl. 565, 571-2.

That clarification and uniformity is necessary, appears from

"Improvements in Statements of Findings of Fact and Conclusions of Law" by Judge Otis, 1 F. R. D. pp. 83-87 and by Judge Nordbye, 1 F. R. D. pp. 25-33.

On Questions Nos. 3 and 4.

III and IV.—Petitioner has been charged with a $4,000 fee for the Special Master. A Special Master should be strictly confined to the supervision of an orderly presentation of the complex accounts, separating the wheat from the chaff, in order to facilitate an examination of the resultant figures by the District Judge. He should not take the place of the judge and pass on questions of infringements. As only the *curia* is to decide what the law is, no question of what the law is should ever be left to a trier of facts for its answer (*curia jus noscit*). True, there may be cases where

the plaintiff at the trial proves typical instances of infringements as representative of a class. In such cases, the Special Master can readily determine whether any variant of that type is within or without that class by a comparison of the facts. If, however, plaintiff fails at the trial to bring in other charges of infringement than the type selected by him, plaintiff should be bound by that election. Otherwise, plaintiff's selection may be such as it believes gives it the best chance of sustaining the patent at the trial. Then having once sustained the patent, plaintiff can widen it in the accounting to include the very charges he was fearful of making at the trial and bar a defendant from proving prior art relevant to the new issue. At the trial of the instant case the sole issue was whether the three layer wax stencil was within an expired Dick wax layer patent. No stencil of the character of MO_{37} and MO was put in issue. The decree ordered an accounting of that wax A F stencil. True, the decree did not specifically mention it, but under settled rules it must be so understood. The totally different organisms of the MO_{37} and MO could not possibly come within the issue as determined by the decree.

Infringement is a tort. A defendant in a trial of a patent suit is entitled to be confronted with each and every device which is charged as an infringement. It is the duty of the judge to pass on all of such devices, and say "yea" or "nea". The profits for the former are to be accounted for.

Should after the entry of the decree other devices appear, the plaintiff has his remedy of either filing a new or supplemental bill, or a motion to expand the decree, or a motion for a contempt, and if the judge decides affirmatively in any one of these proceedings, he can instruct the Special Master to enlarge his accounting accordingly. The defendant then had his day in court, and had his oppor-

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tunity to explain with the aid of the prior art relevant to the new issue, wherein he did not infringe.

But in the instant case plaintiff sought none of these remedies. He induced the Special Master to pass on the new stencils, which were not judged by the trial judge to be infringements. The Special Master consistently declined to consider any prior art in explanation of the new stencils MO_{37} and MO. Petitioner, on an independent issue, could have raised other points, as prior inventors,[1] etc. These MO_{37} and MO types were totally different from the wax layer A F stencils held at the trial to infringe. Petitioner submits: the Special Master exceeded his power. From a simple accounting on the A F stencil, the proceedings became of unconscionable length and expense. In confirming that course, the District Judge in effect delegated his power, which should have been exercised initially and independently by him under one of the foregoing procedures.

The diversity of powers of an accounting master appears from the following cases.

The case of *Louis Metzger* v. *Berlin*, 194 Fed. 426 (C. C. A. 2) fixed the practice in the Second Circuit of a Special Master acting as a judge in matters of patent infringements of devices other than those put in issue at the trial.

In the First Circuit, the Court of Appeals in *L. S. Starrett Co.* v. *Brown & Sharp Co.*, 208 Fed. 887, 893, said: "* * Strictly speaking, however, since it appeared that the defendant had not made this device when the bill

1. Counsel considers it a duty to state that in the U. S. District Court, Northern District of Ohio, in *U. S.* v. *A. B. Dick, et al.*, the government, on July 22, 1946, made charges of suppressing evidence relating to the validity of the patent in suit, and with inducing others to suppress such evidence, and entered into agreements with them providing, among other things, for the payment by respondent of a substantial sum of money, and in consideration for these payments the other parties transferred to respondent certain property, including evidence tending to show anticipation of the Hill invention, and agreed to refrain from rendering assistance to any manufacturer other than respondent.

was filed, a supplemental bill or petition in regard to it would appear to have been necessary, in order to warrant the District Court in adjudging that it infringed * * We are not satisfied from the record that the defendant has had its day in court upon the question of infringement by its device No. 3, and hold, therefore, that for the purposes of accounting ordered, the question is an open one. We see no reason to doubt, however, that it is a question which may properly be presented and ruled upon by the master", citing *Hoe* v. *Scott*, 87 Fed. 220; *Walker Co.* v. *Miller Co.* (C. C.) 146 Fed. 249, 252.

In *Hoe* v. *Scott*, 87 Fed. 220, C. C. N. J. *supra*, it was held that the master cannot review the decree, cannot inquire into the prior art, and must report "findings" to the court. Here, again, arises the point whether such findings are to be mere conclusions, or the ultimate facts stated in their legal effects.

In *Walker Co.* v. *Miller Co.*, 146 Fed. 249, 252 (C. C. Penn.) 1906, *supra*, the court recognized that there may be cases where the differences are so great and the question of infringement is of such doubt that neither the master nor the court will feel justified in going into them, and where the complainant may properly be put to at least a supplemental, if not a new, bill. The Special Master having taken the view that he was confined to the thing decided to be an infringement, the court said: "It was also entirely in conformity with the established practice to bring this matter up by a motion for instructions, in the way that has been done, * * " citing cases.

In the Seventh Circuit, *Murray* v. *Orr & Lockett Hardware Co.*, 153 Fed. 369 (C. C. A. 7), it was stated that on new charges of infringement a supplemental or new suit should be filed: "We deem this to be the better practice because if an accounting before the master is extended to devices that have not been adjudged by the court to be infringements, a very great and unnecessary consump-

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tion of time, and burden of costs may be imposed on the parties."

The Eighth Circuit, by Judge Stone, in *Flat Slab Patent Co.* v. *Turner*, 285 Fed. 257, at 272, states that "the accounting master finds his sole authority within the boundaries of the order appointing him", and that he is to ascertain the amount due. "The problem of the master, therefore, in ascertaining whether a new construction is to be covered by the accounting, becomes one of comparison between that construction and the one declared to infringe. This comparison is along the lines of infringing elements or features." "The identity of such elements or features and the respect in which they constitute infringements can be found by the master sometimes in his report or more often in his opinion * * " Judge Stone thus emphasized the factual comparison of the thing decreed to be an infringement with the new construction appearing for the first time in the accounting, and by inference that the master had no power to judge questions of law.

On Question No. 5.

The instant case presents an open question as to the case of *Duplate Corp. v. Triplex Co.*, 298 U. S. 448, 56 S. Ct. 792, 80 L. Ed. 1274.

In the accounting proceedings, petitioner submitted accounts of its sales in accordance with its business practice, in which the stencil sheets were bought in large sheets on the square inch basis, and then cut to various sizes and sold, though called quires in accordance with trade usage. Innumerable sales were made under varying conditions, as over the counter, by salesmen, and under special conditions. Consequently, certain sales cost more to sell than others. The entire infringing transaction was a continuous one. The books were kept accordingly. *Without some sales others could not have been made, the sales occurring*

concurrently. The resultant profits of the entire infringing transaction resulted from all the sales. In a similar case, lenses were sold continuously, and the so-called losses were considered as diminutions of profits, though called losses. *Macbeth Evans Glass Co.* v. *L. E. Smith Glass Co.*, 21 F. (2) 553, 555; affd. 23 F. (2d) 459 (C. C. A. 3).

In *Duplate Corp.* v. *Triplex Co.*, 298 U. S. 448, 458, Justice Cardozo said: "There *may* be an acceptance of transactions resulting in a gain • • • " (italics supplied) and the *Macbeth* case repeatedly cited by the Justice was left to control situations in accordance with its facts. Petitioner contends, that when the *Duplate* case is read in the light of what was decided, then it justifies a holding that petitioner's facts bring the instant case under the Macbeth rule.

On Question No. 6.

The consideration for the issuance of the capital stock of the California corporation was the transfer of the assets of the California business of petitioner to that corporation (R. pp. 680, 763). Stock certificates representing 2,000 shares of the capital stock were issued in the name of the petitioner and immediately transferred by him by endorsement and delivery to Ellams' representative. Petitioner testified: "I just remember endorsing them on the back, and Mr. Carter, the Ellams' representative, has had the certificates ever since (R. p. 105). • • • The stock was never in my possession. It was put in front of me and I signed my name on the back of it. Mr. Carter took it. I never received the original certificates. I simply endorsed it on the back and left it with Mr. Carter (R. p. 127). • • • It was never returned to me (R. p. 128). • • • Mr. Carter formed the corporation, as I understand it and took the stock, and I was on the side" (R. p. 130). Thus, title to the stock passed upon the delivery of the certificates endorsed by petitioner.

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In *Early* v. *Richardson*, 280 U. S. 496, at 498, 74 L. ed. at 577 it is stated: "When Richardson bought the stock and received the certificates therefor, endorsed by the seller, title passed and the transfer was complete as between the parties."

The California corporation (Marr Duplicator Co. Ltd.) was not fraudulently formed for the purpose of evading any responsibilities. The corporation did not act as an agent for petitioner. Sales made by the corporation were not petitioner's sales. The corporation was not established in bad faith, nor as a screen or cloak to evade the decree. The decree had not been entered at the time the corporation was formed by Ellams, the creditor.

The plaintiff knew of the existence of the corporation. Plaintiff might have brought the corporation in as a party defendant. Plaintiff made his election.

The trial before Judge Patterson followed a stipulation of the parties. The complaint had been long filed and a motion for a preliminary injunction had been granted against a stencil known as the 530 A. It was stipulated that this injunction be made permanent against a waiver of profits and damages; and that instead of a supplemental bill of complaint being filed against another stencil later known as the A F stencil, the original bill would be brought to trial on that stencil. Petitioner contends that the consequences of the trial were confined to that stencil and did not include other stencils, and were confined to petitioner's acts and did not include the acts of another.

The case of *Westinghouse* v. *Allis-Chalmers Co.*, 176 Fed. 362, cited by the Court to sustain its position is not in point. Allis-Chalmers Co. owned or controlled absolutely the entire property and stock of another corporation ***which had been made party defendant*** and operated it as part of its own business.

The court below disregarded the principle of the *Davey Tree* and *Grape Sugar* cases, referred to in the petition, namely,—what did the decree contemplate or intend.

Conclusion.

On the record in this case, the Writ of Certiorari should be issued to the Circuit Court of Appeals for the Second Circuit to the end that this cause may be reviewed and determined by this Court.

Respectfully submitted,

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New York, N. Y., September 12, 1946.